

Message Text

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47

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 PA-04 PRS-01 USIA-15 DRC-01 /155 W

----- 041347

R 151225Z JUN 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3892

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EFIN, ECON, BR

SUBJECT: INFLATION DECELERATES IN MAY

REF: BRASILIA 3581

1. IN MAY THE GUANABARA COST-OF-LIVING INDEX, BRAZIL'S INFLATIONARY WEATHER VANE, WENT UP BY 2.4 PERCENT (OVER APRIL), BRINGING THE CUMULATIVE INFLATION FOR THE FIRST FIVE MONTHS OF THIS YEAR TO 18.7 PERCENT. COMPARABLE FIGURES IN 1973 WERE 0.7 PERCENT AND 6.0 PERCENT, RESPECTIVELY.

2. MAJOR FACTORS CONTRIBUTING TO THE COST-OF-LIVING INCREASE DURING JANUARY/MAY WERE: FOOD PRICES, UP 26.8 PERCENT; PERSONAL SERVICES (WHICH INCLUDE GAS PRICES), UP 17.2 PERCENT; RENTS, UP 15.1 PERCENT; AND MEDICAL SERVICES, UP 13.8 PERCENT.

3. COMMENT: AS ANTICIPATED BY VARIOUS GOVERNMENT OFFICIALS, THE COST-OF-LIVING INCREASE IN MAY DID REGISTER A DROP FROM THE INCREASES OF THE LAST TWO MONTHS. WHETHER THIS INDICATES THAT THE INFLATIONARY TREND HAS TURNED IN A DOWNWARD DIRECTION, AS OFFICIAL FORECASTS HAVE BEEN PREDICTING IT WOULD ABOUT

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TION, AS OFFICIAL FORECASTS HAVE BEEN PREDICTING IT WOULD ABOUT

THIS TIME OF YEAR, REMAINS TO BE SEEN SINCE THE OUTCOME FOR ONE MONTH DOES NOT NECESSARILY PRESAGE A LONGER RUN TREND. IT IS INTERESTING TO NOTE, HOWEVER, THAT DURING MAY THE FOOD COMPONENT OF THE GUANABARA INDEX, WHICH WENT UP BY 2.1 PERCENT, WAS BELOW THE OVERALL RISE OF 2.4 PERCENT. IF THE GOVERNMENT SUCCEEDS IN KEEPING THE FOOD PRICE SITUATION UNDER CONTROL IN COMING MONTHS, AS IT IS TRYING TO DO THROUGH A SELECTIVE PRICE CONTROL SCHEME, THE MAY RESULTS MAY VERY WELL PORTEND AN UNDERLYING DOWNWARD TURN IN INFLATIONARY TREND. CRIMMINS

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